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October 27, 2008

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ELECTRONICALLY FILED VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**RE: Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92
High Cost Universal Service Support, WC Docket No. 05-337
Federal State Joint Board on Universal Service, CC Docket No. 96-45**

Dear Ms. Dortch:

On October 27, 2008, the South Dakota Telecommunications Association (SDTA) held an ex parte meeting via conference call with Commissioner Jonathan Adelstein and Scott Bergmann concerning its understanding of the proposed reforms to intercarrier compensation under consideration by the Commission. The following individuals participated in the call: Richard Coit and Greg Dean of SDTA; Randy Houdek of Venture Communications Cooperative; Rod Bower, Kennebec Telephone Company, Inc. and President of SDTA; and William P. Heaston counsel for SDN Communications, Inc. of Sioux Falls, SD. Information was provided concerning potential financial impacts on South Dakota rural LECs related to SDTA's understanding of the proposed intercarrier compensation and USF reforms. A copy of the presentation discussed during the conference call is attached.

Pursuant to Section 1.1206 of the Commission's rules, this letter is being filed via ECFS with the Commission's Secretary for inclusion in the above-referenced dockets. Please do not hesitate to contact the undersigned if you have any questions.

Sincerely,

/s/ Mary J. Sisak
Benjamin H. Dickens, Jr.
Mary J. Sisak

/enclosure

CC: Commissioner Jonathan Adelstein
Chairman Kevin Martin
Commissioner Michael Copps
Commissioner Deborah Tate
Commissioner Robert McDowell
Ian Dillner
Rick C. Chessen
Scott Bergmann
Amy Blankenship
Angela E. Giancarlo



ICC Reform Proposals - SD Impact Data

**Presented by: the South Dakota
Telecommunications Association (SDTA) –
October 27th, 2008**



ICC Reform

- Data From 27 South Dakota Rural LECs – All Members Of The South Dakota Local Exchange Carriers Association (LECA) Pooling Process (List Of Companies Attached)
- In Total The LECA Member Companies Currently Provide Service To 123,240 Rural Switched Access Lines



ICC Reform

- State Of South Dakota Does Not Have A State USF
 - Enabling Legislation Was Proposed And Debated Before State Legislature A Number Of Times, But Not Adopted
- Intrastate Switched Access Charges Based On Embedded Costs Determined Pursuant To Administrative Rules Of The South Dakota Public Utilities Commission
- Intrastate Access Elements Include Carrier Common Line, Local Switching And Local Transport



ICC Reform

- Background Data:
 - Intrastate Access Rates Capped As Of January 2007 At 12.5¢
 - Rate Does Not Reflect All Costs As Determined Pursuant To Existing PUC Rules
 - Calculated Average Interstate Access Rate Based On Minutes Billed:
 - Originating 5.0554¢
 - Terminating 4.6357¢
 - A Total Of 123,240 Switched Access Lines Reported By LECA Member Companies

ICC Reform

- Annual Intrastate Access Revenue Billed By RLECs In Study (July 1, 2007 To June 30, 2008):

	<u>Revenue</u>	<u>Minutes of Use</u>
Originating	\$13,409,984	107,279,871
Terminating*	<u>\$14,569,036</u>	<u>116,552,290</u>
Total	\$27,979,020	223,832,161

- Annual Interstate Access Revenue Billed By The Companies (July 1, 2007 To June 30, 2008):

	<u>Revenue</u>	<u>Minutes of Use</u>
Originating	\$6,942,112	137,320,717
Terminating*	<u>\$23,500,433</u>	<u>506,944,649</u>
Total	\$30,442,545	644,265,366

- * Does Not Include All Wireless InterMTA Traffic Delivered Via Direct Or Indirect Connections



ICC Reform

- Subscriber Line Breakdown (Switched Access Or Narrowband Lines Only):
 - Residential & Single Line Business 93,788
 - Multiline Business 29,452
 - Total Subscriber Lines (Current) 123,240
- In Comparison, All RLEC Members Of SDTA, As Of Second Quarter 2008, Served 140,087 Lines



ICC Reform

- First Stage
 - Estimated **Terminating** Revenue Impact (Loss) In Reducing Average Intrastate Switched Access Rate To Average Interstate Access Rate:
 - 12.5¢ Down To 4.64¢
 - Annual Loss In Terminating Intrastate Access Revenue $116,552,290 \times 7.86¢ = \$9,161,010$
 - \$6.19 Per Line, Per Month

ICC Reform

- Second Stage
 - Estimated **Terminating** Revenue Impact (Loss) In Reducing Switched Access Rates From Current Levels Down To A Rate Substantially Lower Than Even Current Reciprocal Compensation Rates
 - Study Assumes Verizon Proposed Rate Of \$.0007 for Terminating

	<u>Minutes Of Use</u>	<u>Rate Difference</u>	<u>Lost Access</u>	<u>Rate Per Line</u>
Intrastate	116,552,290	12.43¢	\$14,487,450	\$9.80
Interstate	<u>506,944,649</u>	4.5657¢	<u>\$23,145,572</u>	<u>\$15.65</u>
Total	623,496,939	n/a	\$37,633,022	\$25.45

ICC Reform

- Second Stage (Cont.)
 - Revenue Impacts:
 - An Additional Loss Of **Originating** Access Revenue (With Transition To Uniform Reciprocal Compensation Regime):

	<u>Minutes Of Use</u>	<u>Rate Difference</u>	<u>Lost Access</u>	<u>Rate Per Line</u>
Intrastate	107,279,871	12.5¢	\$13,409,984	\$9.07
Interstate	<u>137,320,717</u>	5.0554¢	<u>\$6,942,112</u>	<u>\$4.69</u>
Total	244,600,588	n/a	\$20,352,096	\$13.76



ICC Reform

- Second Stage (Cont.)

- Total Access Revenue Losses:

- Terminating Access \$37,633,022*
 - Originating Access \$20,352,096*
 - Total \$57,985,118
 - \$39.21 Per Line, Per Month

*Impact Numbers Do Not Include Any Analysis Of Lost Reciprocal Compensation Revenues Due To Proposed Reduction Of Current Reciprocal Compensation Rates And Also Do Not Take Into Account Additional Originating Transport And Transiting Costs That Would Be Imposed On RLECs (Without A “Rural Transport Rule”)



ICC Reform

- **Subscriber Line Charge Impacts:**
 - **Monthly Increase Proposed**
 - \$1.50 For Residential And Single Line Business Customers
 - \$2.30 For Multi-line Business Customers
 - **Total Single Line Residential And Business \$1,688,184 Annually (\$1.50 x 93,788 Lines x 12 Months)**
 - **Total Multi-line Business \$812,875 Annually (\$2.30 x 29,452 Lines x 12 Months)**
 - **Total Additional Annual Burden Imposed On End User Subscribers Of Studied Companies - \$2,501,059**



LECA Member Companies

- ALLIANCE COMMUNICATIONS COOPERATIVE, INC.
- ARMOUR INDEPENDENT TELEPHONE COMPANY
- BERESFORD MUNICIPAL TELEPHONE COMPANY
- BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE
- CITY OF BROOKINGS UTILITIES, TELEPHONE DIVISION (Swiftel Communications)
- CHEYENNE RIVER SIOUX TRIBE TELEPHONE AUTHORITY
- CITY OF FAITH TELEPHONE COMPANY
- GOLDEN WEST TELECOMMUNICATIONS COOPERATIVE
- INTERSTATE TELECOMMUNICATIONS COOPERATIVE
- JAMES VALLEY COOPERATIVE TELEPHONE COMPANY
- JEFFERSON TELEPHONE, LLC
- KENNEBEC TELEPHONE COMPANY
- MCCOOK COOPERATIVE TELEPHONE COMPANY



LECA Member Companies (cont'd)

- MIDSTATE COMMUNICATIONS, INC.
- ROBERTS COUNTY TELEPHONE COOPERATIVE ASSN./
RC COMMUNICATIONS, INC.
- SANTEL COMMUNICATIONS COOPERATIVE
- SIOUX VALLEY TELEPHONE COMPANY
- SPLITROCK PROPERTIES, INC.
- STOCKHOLM-STRANDBURG TELEPHONE COMPANY
- TRI-COUNTY TELCOM, INC.
- UNION TELEPHONE COMPANY
- VALLEY TELECOMMUNICATIONS COOPERATIVE
- VENTURE COMMUNICATIONS COOPERATIVE
- VIVIAN TELEPHONE COMPANY
- WEST RIVER COOPERATIVE TELEPHONE COMPANY (BISON, SD)
- WEST RIVER TELECOMMUNICATIONS COOPERATIVE (HAZEN, ND)
- WESTERN TELEPHONE COMPANY